

CHAPTER 09**Checklist Effective Governance &
Financial Management**

*“So much of what we call management consists
in making it difficult for people to work ”
Peter Drucker*

09.01 The Board & Management

- Constitution of the Board (General Body/
Executive Committee/Board of Trustees) as
per the Memorandum and Articles of
Association/Trust Deed
- Representation to the Board by the members
(the back-ground; the interest and
commitment; community participation;
gender balance, versatility etc.)
- Participation of the board members in the
meetings
- Involvement of the general members in
planning the programmes; preparation of
action plans; implementation of programmes;
monitoring and assessing the results
- General Body/Governing Body/BOT
Meetings organized as per the constitution
- All the bye-laws and regulations are duly
taken up as mandated in the constitution

*Involvement of the
general members in
planning the
programmes*

- Minutes prepared and circulated to all the members and special invitees
- Follow up actions taken on the decisions made in the General body/governing body/BOT meetings
- Sharing of Proposals/Reports/Budgets/Accounts with the members of the Board
- Cheque signatories are determine with adequate checks and balances. It is desirable to have joint signatories.
- Relatives of the board members or functionaries are involved on merit in managing the organization (General Body/Executive Body/BOT/staff)
- Consultations with the communities on programme planning; implementation and Evaluations
- Involvement of communities in the programme planning and implementation
- Contributions made by the communities to the organization/programmes

*Minutes prepared
and circulated to all
the members and
special invitees*

09.02A) Registrar of Societies:

- Proper Registration as a legal entity.
 - Filing of Returns with the Registrar of Societies or the respective authority on an annual basis as required alongwith the Minutes of the General Body/Annual Report/Annual audited statements.
 - Amendments made if any in the bye-laws or the constitution are properly document
-

and filed with the Registrar or the respective authority.

*Filing of Reports
both financial and
activity with
the donors*

B) Income-tax Act:

- Registration under section 12A & 80-G
- Obtaining PAN from the IT department
- Filing of Annual Returns of Income in due time
- Calculation of funds to be accumulated if any, and take resolutions in the BOT/ Executive Committee and file with the Income-tax Authorities
- Tax deduction at sources and returns to be filed as required by the IT Act
- Filing of TDS return on time

C) Foreign Contributions Regulation Act:

- Registration under FCRA
- Filing of returns
- Changes in the governing councils/BOTs to inform properly and get the consent from MHA
- Maintenance of separate bank account exclusively for foreign contributions
- Not to mix foreign contributions and local contributions

D) Donors/Resource Agencies:

- Filing of Reports both financial and activity with the donors
 - Following the formats
 - Adhering to the contract conditions of various donors
-

E) Other legal compliances:

- Following the rules and regulations with regard to PF; Gratuity; Professional Tax etc.

Implementation of various social security measures as per the laws of the land

09.03 Staff

- Qualifications and experience
- Anybody from the communities/area
- Staff involvement in decision making; programme planning; implementation and evaluation
- Staff participation in various meetings at organization level
- Autonomy in implementation of programmes
- Knowledge on various programmes/budgets
- Staff appointments; procedures; payments; appointment letters
- Implementation of various social security measures as per the laws of the land
- Salaries are being paid by cheque/cash
- Staff capacity building initiatives.

09.04 Policies :

- Staff policies
- Gender policies
- Dalit/Tribal policies
- Structures and systems (both formal and informal)
- Maintenance of assets

09.05 Financial System relating to the organization

- Presence of relevant planning and budgeting systems.
-

- Presence of relevant approved budget for the organization and for the specific programmes / projects, if required.
- Presence of respective agreements/contracts with the donors both foreign and local and adherence to the same.
- Relevant Cash Books, Ledgers, Journal Books etc.,
- Vouchers to be adequately approved by the respective authorities.
- Presence of adequate authorization of transactions, both receipts and payments.
- Maintenance of Subsidiary Records such as Fixed Assets Register, Stationery Stock Register, Phone Log Book, Vehicle Log Book, Payroll/Salary Register, Medical Reimbursement Register etc.,
- Presence of clear policy and rules regards cash and cheque payments.
- Presence of specific rules regarding cash management.
- Clear Policy as to the authorised signatories of cheque payments. To ensure designation of minimum two to three persons as authorised signatories.
- Adequate insurance cover for the fixed assets.
- Maintenance of adequate records regarding Staff Welfare Schemes such as Provident Fund, Gratuity Fund etc., if required.
- Presence of clear policy and procedures regarding settlement of advances given or raised.
- Preparation of Periodical Bank Reconciliation Statement.

To ensure designation of minimum two to three persons as authorised signatories.

- Presence of systematic updating of accounts as to periodical closure & preparation of Trial Balance (preferably monthly), Receipts and Payments Accounts, Income and Expenditure Account, Balance Sheet etc.,
- Existence of periodical variance analysis of budget and the actual income and expenditure.
- Existence of clear policy relating to procurement and sale of assets.
- Proper management of relevant funds like Corpus Fund, Reserve Fund, Revolving Fund etc., with clear investment policy especially for Corpus and Reserve Fund.
- Presence of adequate policy regarding provisions for outstanding income and expenditure, depreciation of assets etc.,
- Existence of audit policy.
- Presence of internal audit system.
- Appointment of statutory auditor.
- Verification of adherence to legal and tax laws (Income Tax, FCRA etc.,) applicable to the organization.
- Verification of recent audit reports and observations and the response of the management to the same.
- Presence of adequate delegation of authority to the finance staff to adhere to the laid down policy and procedures.
- Verification of level of transparency within the organization.
- Maintenance of relevant books of accounts related to community programmes such as IGP, Revolving Fund etc., at the field level to enable periodical consolidation.

*Verification of
recent audit reports
and observations
and the response of
the management*

- Policy as to the annual closure of accounts (for eg. Accounts of 31st March to be finalized latest by the following 30th April).
- Presence of adequate documentation relating to contract payments, contract staff appointment, clear specification of terms and conditions, renewal and / or termination clause etc.,
- Adherence to deduction of necessary tax at source as per prevailing income tax rules.
- Existing of internal Management Information System prevailing at various levels and its adequacy.

Availability of the approved budget with the field staff for necessary reference.

09.06 Financial Systems at the field level :

- Involvement of field staff in the preparation of budget.
- Availability of the approved budget with the field staff for necessary reference.
- Maintenance of relevant and required books of accounts at the field level.
- Prevalence of adequate decision making authority at the field level relating to financial systems.
- Adequate authorization of the vouchers for the transactions made at the field level.
- Policy as to regular submission of accounts by the field staff to the Finance Department of the organization, say once in a month.
- The system in place with regard to assessment and documentation of own means of contributions.

In short, an adequate financial system should enable tracking of flow of funds / or an expenditure right

from the source up to the end user / to the beneficiary with relevant details and books of accounts.

*Regular visits
by the auditors
to the
organization*

09.07 Audits

- Regular audits
 - Auditors
 - Reporting patterns
 - Presentation of reports in a proper form
 - Audit reports
 - Notes on audited statements
 - Following the guidelines set by the Institute of Chartered Accountants of India
 - Timely completion of audits
 - Certification in appropriate forms for IT & FCRA purposes
 - Regular visits by the auditors to the organization
 - Occasional visits of the auditors to the field areas
-